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ABSTRACT

This document provides summaries of each state's activities to address their the shortage of school buildings by supporting school construction. It reveals that 11 state subsidize, reimburse, or match local funding for construction projects; 10 states have an established formula for determining the amount of stat funding each school district receives; 6 states have established a new agency to oversee school construction with the state; 5 states provide low-interest loans for low-income school districts to help support their school construction efforts; and 4 states require the Governor and the state legislature to approve all school construction projects prior to state funding being made available. Contact information for each state is included. (GR)

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Building America's Schools: State Efforts to Address School Facility Needs

Introduction

Communities across the nation are struggling to construct new schools and renovate existing ones to meet rising student enrollment. The National Center for Education Statistics (NCES) estimates two new K–12 school buildings are started each business day, with the total costs approaching $16 billion this year.[1] A recent Public Agenda report concluded that an additional $200 billion is needed to modernize old school buildings,[2] and, according to the National Education Association, it would take $322 billion to adequately repair and build American schools and to wire them for new technologies.[3]

School enrollments are rising. The NCES report *America's Schools Are Overcrowded and Wearing Out* discovered that a record 52.7 million children are enrolled in elementary and secondary education, and that number will climb to 54.3 million by 2008.[4] The report also found that at least 2,400 new schools will be needed by 2003 to accommodate rising enrollments and relieve overcrowding, and thousands more school buildings will be needed in the following years.[5]

America's schools are also wearing out. Findings from a U.S. General Accounting Office (GAO) report revealed that 25,000 American schools need major repair or outright replacement, and 60 percent of all schools report at least one major building feature that needs replacement or extensive repairs.[6] In addition, the U.S. Department of Education found that 46 percent of schools lack the basic electrical wiring to support computers, modems, and modern communication technology.[7]

To understand state efforts to meet the shortage of school buildings, the National Governors' Association Center for Best Practices researched current state activities supporting school construction. The Center discovered Governors are focusing more attention on school construction and modernization than ever before.

- Eleven states subsidize, reimburse, or match local funding for construction projects.
- Ten states have an established formula for determining the amount of state funding each school district receives.
- Six states have established a new agency to oversee school construction within the state.
- Five states provide low-interest loans for low-income school districts to help support their school construction efforts.
- Four states require the Governor and the state legislature to approve all school construction projects prior to state funding being made available.

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State Funding Innovations in Renovating and Building Schools

The Center researched and requested information from Governors about their current and future plans to finance new school construction and renovation. Forty-three states and the Virgin Islands are represented in this *Issue Brief*, and the findings suggest considerable state action to meet school facility needs.

Alabama

Alabama has two funding programs for school construction. The first is in the form of annual appropriations that provide schools with money for capital purchases. The second is a recent bond issue that provides each school district with a state grant for construction. Each district's grant is based on a student population formula. Since 1999 the state, at Governor Don Siegelman's request, has spent over $600 million to remove all portable classrooms in the state; by 2002, all portables will be replaced with permanent structures.

Contact: Mr. Dennis Heard, Auditor, Alabama Department of Education, 334/242-9747.

Alaska

Alaska has two funding programs for school construction. The first allows each school district to submit a six-year school improvement plan, and the Alaska Department of Education and Early Development ranks each plan based on need. The prioritized list is sent to the Governor, who can introduce legislation on each plan and must get legislative approval. When a school receives funding under this program, the district reimburses the state from 2 percent to 35 percent depending on the district's tax base. The wealthiest districts pay back 35 percent, while the poorest districts pay back 2 percent. The second funding program allows each school district to request a local bond. If a district receives a local bond for school construction, the state may reimburse the district as much as 70 percent. The amount of state reimbursement, if any, is dependent on the legislature, which appropriates the money, and the Governor who signs the appropriations bill. The legislature has appropriated $151 million for fiscal 2000 under the second funding program (70 percent state reimbursement) as well as an additional $93 million in grants.

Contact: Mr. Tim Mearig, Technician Engineer, Facilities Department, Alaska Department of Education and Early Development, 907/465-1858.

Arizona

After Arizona's system of school capital finance was declared unconstitutional in 1994, a plan called "Students FIRST" was signed into law by Governor Jane Dee Hull. This program dedicates state funds for facilities maintenance and construction and eliminates reliance on secondary property taxes (which are driven by the property wealth of each school district) and general obligation bonding. The program is funded from dedicated revenues from the transaction privilege tax (the state's sales tax) and administered by the school facilities board, which evaluates and monitors school capital needs and distributes building renewal and new-construction funding. Under Students FIRST, school facilities must be brought up to the established adequacy standards with the state providing funds for this purpose. The state also provides funding to build new schools and for major renovations and repairs of buildings. In addition, the state provides an average of $225 per student to pay for textbooks, library resources, instructional aids, furniture and equipment, pupil transportation, and vehicles. Governor Hull proposed an additional $135 million for Students FIRST in 2000. Students FIRST has approved the construction of more than 80 new schools or school additions at a cost of more than $740 million since January 1999. This year Arizona's school districts will receive $120 million in building renewal funds to maintain and extend the life of existing buildings. The state is also completing an assessment

of deficiencies in existing schools and has allocated $150 million for repairs this year, with the balance of repairs, estimated at more than $1 billion, to be funded over the next several years.

Contact: Dr. Philip E. Geiger, Executive Director, State of Arizona School Facilities Board, 602/542-6143.

Arkansas

Each year school districts receive additional monies for school construction. Every school district must submit a long-term facilities plan. Every five years, the plan must be extensively rewritten. Each district is then provided funding based on a formula that includes student population figures and a district wealth index. There are approximately 450,000 K-12 students in Arkansas, and the current allocation for facilities funding in the state is $10 million. In addition, the state provides debt-service aid to districts to supplement their capital needs.

Contact: Ms. Patricia Martin, Assistant Director, Public School Finance and Administrative Support Section, Arkansas Department of Education, 501/682-5124.

California

In the November 1998 general election, California voters passed the "Class Size Reduction Kindergarten—University Public Education Facilities Bond Act." The measure authorized the state to sell $6.7 billion in general obligation bonds for elementary and secondary school facilities and $2.5 billion in general obligation bonds for higher education facilities. The bonds provided funding to build necessary education facilities, to relieve overcrowding and accommodate student enrollment growth, to repair older schools, and to wire and cable classrooms for education technology. The bill also created a school facilities planning division to implement the changes to the school-building and school-modernizing processes in California.

This year Governor Gray Davis proposed to fully fund the state match for deferred maintenance projects by providing an increase of $22.3 million. If approved, state support from all sources will total $185.3 million. When matched with local funds, this will provide over $370 million for major maintenance projects in K–12 schools. More information about the school facilities program requirements and responsibilities is available on the state department of education Internet site at <http://www.cde.ca.gov/dmsbranch/sfpdiv/fieldservices/sb50require-resp.htm>.

Contact: Mr. Duwayne Brooks, Director, School Facilities and Planning Division, California Department of Education, 916/322-2470.

Connecticut

The state provides two opportunities to reimburse schools for school construction, but does not reimburse expenses for routine repair. The first type of applicant for reimbursement is a district that requires new construction to meet state code. The school district submits a proposal and the commissioner of education automatically funds the proposal. With the second type, the district submits a proposal that the department of education prioritizes and then submits to the Governor and state legislature for approval. Once the state approves a project, it reimburses schools according to a 20-percent to 80-percent reimbursement formula, with wealthier districts receiving 20-percent reimbursement and less wealthy districts receiving 80 percent.

Contact: Mr. David Wedge, Education Consultant, Managerial, Connecticut Department of Education, 860/566-2222.

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Delaware

In his 2001 budget, Governor Thomas R. Carper recommended almost $100 million in new money for school construction. The School Building Maintenance Program would manage the funds. A referendum contingency of $10 million has also been recommended for projects that will go to referendum in the second half of fiscal 2000.

Contact: Ms. Peg Bradley, Policy Advisor for Education, Office of the Governor, 302/577-3210.

Florida

In November 1997, the Florida legislature passed a $2.7 billion plan to build and renovate schools. The Office of Educational Facilities Budgeting administers the public education capital outlay (PECO) program. The PECO allocation for fiscal 1999–2000 was approximately $658 million. The 1997 legislation included incentive funding for districts that build schools and adhere to state specifications. In his 2000 budget address, Governor Jeb Bush called for $1.5 billion for construction and maintenance of educational facilities.

Contact: Dr. John A. Watson, Program Director, Office of Educational Facilities Budgeting, Florida Department of Education, 850/487-1750.

Georgia

Georgia has three programs to provide school construction funding for schools. In the first type, every school system submits a long-range facilities plan to the department of education for approval. The total state need is tabulated, and each school district's need is divided by the state total to determine the district's percentage of the state need. By law, the legislature appropriates $100 million, $80 million, $60 million, $40 million, or no funds for the statewide program, and each district receives its percentage of the total money funded. Each district has three options: it may spend the money; it may save the money until it collects enough to support the district's projects; or, if the top-priority project will cost more than three times the money the district will get for the next year, the district may borrow future monies and fix the problem immediately.

In the second option, the legislature made all school districts with 1.5-percent student growth per year (1.5 percent must be more than 65 students) eligible for a share of an additional $100 million for school construction. State officials created a third opportunity to support school construction because they realized that small districts could not accrue enough funds to meet their school construction needs. Therefore, the most needy 25 percent of school districts receive additional funding for school construction through a bond issue. State officials expect the total allocation to equal approximately $50 million. Governor Roy E. Barnes has established a committee to analyze these programs and possibly redesign the plan.

Contact: Dr. Jerry Rochelle, Program Director, Facilities Services, Georgia Department of Education, 404/656-2454.

Hawaii

The department of accounting and general services sends trade crews to public school buildings to provide small-scale repair and maintenance. For major renovations, improvements, or new school construction, schools and districts submit project requests under the capital improvements program (CIP) to the department of education. The department then reviews, prioritizes, and submits CIP budget requests for approval to the state board of education, the Governor, and the state legislature.

This fiscal year, Governor Benjamin J. Cayetano proposed a three-year, $210-million repair-and-maintenance program for schools, universities, and public buildings.

Contacts: Mr. Lester Clark, Mr. Ray Minami, or Mr. Gordon Sam, Office of Facilities and Support, Hawaii Department of Education, 808/733-4862.

Idaho

The state distributes half of its lottery money into a plant facilities fund. Each school district receives a base amount of this money each year to be used for capital improvements. In addition, each school district receives an increase from the base amount based on the prior year's average daily attendance (ADA). Governor Dirk Kempthorne, in his 2000 state-of-the-state address, proposed and received legislative support for a one-time plan to repair existing "life safety needs" of school facilities. The legislation provides for inspections for compliance with the school facilities code. It also provides a mechanism to close a school when the division of building safety finds an imminent safety hazard (one that creates an immediate risk of death or serious injury).

Contact: Mr. Tom Morley, Education Policy Advisor, Office of the Governor, 208/334-2100.

Illinois

The Illinois General Assembly passed a school construction law in December 1997. The program is funded through the sale of $1.1 billion in school construction bonds over the next five years. In 1999– the state appropriated $290 million for the school construction grant program. In addition, Governor George H. Ryan's Illinois FIRST program further increased funding for the school construction grant program by $1 billion, including an increase of $1[illegible]3 million for fiscal 2000. A recent amendment to the school construction law added $125 million over three to five years for maintenance or upkeep of school facilities, to be awarded by the Illinois State Board of Education. Eligibility for the school construction program is determined by the board of education; the capital development board surveys projects and awards grants. The state will generate the majority of school construction program funds through the sale of general obligation bonds. Eligibility is based on enrollment and local property wealth with the state share ranging from 35 percent to 75 percent of eligible construction costs.

Contact: Ms. Nona Myers, Division Administrator, School Construction and Facility Services Division, Illinois State Board of Education, 217/785-8779.

Indiana

School districts with extremely low tax bases are eligible for low-interest loans from the state department of education. The state also provides $36 million in capital funding each year to pay for debt service on capital projects.

Contact: Mr. Larry Grau, Executive Assistant for Education, Office of the Governor, 317/232-1972.

Iowa

Governor Tom Vilsack, in his 2000 state-of-the-state address, proposed that the state fund school building maintenance, repair, and construction at approximately $100 million.

Contact: Mr. Greg Nichols, Education Policy Advisor, Office of the Governor, 515/281-0130.

Kansas

School construction is funded locally through the passage of bonds. Once a school district has a bond passed, the state will reimburse the district on a sliding scale based on district wealth. District wealth is

determined by the property value of the district. The higher the value of the property in the district, on a per-pupil basis, the lower the state assistance. The program for fiscal year 1999 required $27 million in state support.

Contact: Mr. Dan Hermes, Director of Government Affairs, Office of the Governor, 785/296-1225.

Kentucky

The state created the school facilities construction commission (SFCC) to assist local school districts in meeting their capital construction needs. To participate in the SFCC funding program, a district must have facility needs, as shown by the approved facilities plan, that cannot be met by any available local revenue. The allocation by the legislature for the SFCC in the current biennium is $109 million. The SFCC appropriates funds based on an assessment of all school districts' facilities needs. The Kentucky Department of Education administers the Facilities Support Program of Kentucky (FSPK), which provides funds to equalize the $0.05 tax levy (the amount a school district must levy) at 150 percent of the statewide per pupil assessment. Eligibility for FSPK equalization is based on the current year's certified assessment and the prior year's adjusted average daily attendance. In his 2000 budget address, Governor Paul E. Patton called for $92 million for new school construction.

Contact: Mr. Mark W. Ryles, Division Director, Facilities Management, Kentucky Department of Education, 502/564-4326.

Maine

Maine has two separate school construction programs. The first focuses on new school construction or major renovation and has a current budget of $72 million. The second is a revolving fund for maintenance and renovation. The legislature appropriated $19.4 million for the program in 1998, and last year added another $23 million. Governor Angus S. King Jr. proposed an additional $20 million in renovation funds in his 2000 state-of-the-state address. School districts can borrow money from the state to pay for these renovations. The state automatically forgives 30 percent to 70 percent of a school's loan and requires the rest be paid back within five to ten years.

Contacts: Mr. Scott Brown or Mr. Michael Kucsma, Office of Construction/Transportation, Maine Department of Education, 207/287-8526.

Maryland

Maryland has two programs addressing school construction. In the first program (in existence since 1971) all 24 school districts are required to submit a 10-year educational facility master plan. This document provides the foundation for capital improvement projects that are requested from the state. The state interagency committee on school construction reviews the applications, prioritizes them, and submits its recommendations to the board of public works, comprised of the Governor, the state comptroller, and the state treasurer, for approval or disapproval. The Governor establishes the funding level for school construction and sends the budget to the state legislature for approval. For each approved renovation, from 50 percent to 85 percent of construction costs, will be provided by the state. The percentage depends on district wealth, with the exception of Baltimore City, which always receives a 90-percent match on the first $10 million of construction costs. In fiscal 2000, the state provided $257 million. The second program, aimed at aging schools, is in the third year of a five-year authorization. Each district receives a set amount of money, based on the age and square footage of its buildings. The statewide allocation is $10.3 million annually. This requires no match from the districts.

Governor Parris N. Glendening also proposed an investment of $256 million for building and modernizing schools in his 2000 state-of-the-state address.

Contact: Dr. Yale Stenzler, Maryland School Construction Program, 410/767-0610.

Massachusetts

The School Building Assistance Program (SBA) was established in 1948. Through this program, the state reimburses school districts for 50 percent to 90 percent of the cost of school construction and renovation. Municipalities issue local bonds for construction, and the state reimburses the municipality annually over the life of the bond. Both principal and interest are eligible costs for reimbursement. In fiscal 2001 the state will appropriate over $300 million for this program; $2 billion has been appropriated since 1991.

In his fiscal 2001 budget proposal, Governor Argeo Paul Cellucci filed legislation to revamp the SBA program. The changes emphasize building maintenance, renovation projects, open space, and technical assistance for municipalities. The legislation provides for reimbursement for alternatives to construction such as leasing space. In addition, the legislation creates a community wealth- and incentive-based reimbursement rate that rewards building maintenance and positive construction techniques such as use of construction managers.

Contacts: Ms. Christine Lynch, Director SBA Program, or Mr. Jeff Wulfson, Chief Financial Officer, Massachusetts Department of Education, 781/338-3300.

Minnesota

School districts must pass local bonds for school construction. Since 1993 the state has given some equalization funding to schools that pass school construction bonds for lower-value districts. Minnesota also has a school loan program that provides funding for school districts with extremely low property wealth. The school district usually makes an agreement to repay the state for the loan.

Contact: Mr. Tom Melcher, Program Finances–Education Funding, Minnesota Department of Children, Families, and Learning, 651/582-8828.

Mississippi

In 1997 the legislature enacted the funding formula of the Mississippi Adequate Education Program (MAEP), enabling local school districts to receive approval for the use of interim school district capital expenditure funds. Each local school board and superintendent must prepare and submit a long-range capital expenditure plan for approval by the state board of education. Funds are distributed by the department of education as requested by the school district, subject to fund availability. The state aid appropriations for MAEP through the five--year phase-in period are $12 million in 1998, $26.2 million in 1999, $52.3 million in 2000, $78.5 million in 2001, and $103.6 million in 2002. In addition, the state public school building fund (dating to 1953) receives $20 million annually, and the education enhancement fund (also called the one-cent sales tax fund) receives $16 million annually.

Contact: Mr. Robert E. Campbell, CSI, CDT, Director, Division of School Building, Mississippi Department of Education, 601/359-1028.

Montana

Under legislation enacted in 1993, Montana subsidizes the tax base for districts that are considered low-wealth districts (i.e., those with revenues lower than the base line tax revenue) and that have

issued bonds since July 1, 1991. The subsidy brings the district up to the state average tax base. The legislature appropriated $3.5 million for fiscal 1999.

Contact: Ms. Madelyn Quinlan, Chief of Staff, Montana Office of Public Instruction, 406/ 444-3168.

Nevada

Last session, the legislature established an account with limited funds for school districts that do not have the bonding capacity to maintain school buildings. The system is new and the department of education has not yet determined how the funds will be distributed.

Contact: Mr. Michael Raponi, Consultant, Workforce Education Office, Nevada State Department of Education, 775/687-9217.

New Hampshire

The state provides aid to build new schools and additions or to substantially renovate a school. The state will pay between 30 percent and 55 percent of the cost. The percentage is not based on wealth, but on cooperatives. If a single district requests funds, it will receive only 30 percent; a cooperative of two districts will receive 40 percent; each additional district adds another 5 percent, up to a maximum of 55 percent. The state does not pay at the outset; the school must float a 20-year bond. The state reviews the bond payment and pays the appropriate percentage. This entire system is being reviewed for equity. In early 1999, the state commissioned a study of the condition of New Hampshire's schools and an assessment of needs. The study will culminate in a report that may be used to revise and update the state's school building aid program.

Contact: Mr. Bob Porter, Administrator, Division of Program Support, New Hampshire Department of Education, 603/271-2037.

New Jersey

As of 1999, New Jersey provides debt service aid to school districts for construction and renovation projects according to a formula based on district income and property wealth. The debt service aid is applied to a district's long-term debt that must be authorized locally by the voters. State debt service aid is funded by an annual legislative appropriation from general revenues. The current allocation is approximately $158 million. Governor Christine T. Whitman spoke of enacting a funding plan for school facilities construction and renovation in her 2000 state-of-the-state address.

Under a pending administration proposal, direct capital aid will be provided for all approved construction in 30 "special needs" districts. Approved costs in all other districts will be subsidized based on the existing aid formula, which provides a minimum subsidy of 10 percent to every district. A low-interest loan alternative to the debt service aid program is also proposed. A state authority will be authorized to finance and manage design and construction of all projects for districts that receive more than 50 percent of project costs in state aid. Funding for the program is likely to come from state tobacco tax and lottery revenues, along with general fund revenues.

Contact: Mr. James Nichols, School Facilities Financing, New Jersey Department of Education, 609/633-7400.

New Mexico

There are two major sources for school facilities funding in New Mexico. The first is the public school capital outlay council, which receives an appropriation from the state legislature every year. This nine-member council awards grants to school districts with critical facility needs. A school district must

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have exhausted its local funding sources (at least 75 percent of its bonding monies) to apply. Approximately one-third of New Mexico school districts apply for part of the available $30 million. Districts are ranked according to a number of statistics, including health and safety measures, low property tax base, the ratio of the property tax base to the number of children, and enrollment figures. In addition, 60 percent of the net revenue from the state lottery is dedicated to this fund.

The second source for school facilities funding is the Public School Capital Improvement Act, sometimes called the "two-mill* levy." A school district must get voter approval for a two-mill levy. The statute creates a formula that then funds school districts at a minimum level. Of the 89 school districts, 85 have the levy and 56 receive a state match. Generally, a school district with a low property tax base and a high number of children to serve receives a state match in funds.

In April the state passed legislation that would provide $600 million over the next decade for capital outlay projects and give preference to cash-poor communities. The law was the state's response to a 1998 lawsuit by three school districts that include vast stretches of American Indian lands and, thus, little taxable property.

Contact: Mr. Steve Burrell, School Finance Analysis and Capital Outlay, New Mexico Department of Education, 505/827-6560.

New York

New York gives schools direct aid for construction and renovation based on a state formula used for construction and other educational programs. Each school district is assigned a state aid ratio that is based on wealth and that determines how much funding the district receives for construction. The office of facilities planning in the state department of education calculates a per-pupil cost based on the maximum state cost allowance, calculated monthly. Each school building determines its capacity, which is equal to the square footage and the number of rooms multiplied by the maximum state cost allowance. The state then applies the district's state aid ratio to determine the amount of state aid.

Contact: Mr. Carl Thurnau, Office of Facilities Planning, New York Education Department, 518/474-3906.

North Carolina

The provision of school facilities is primarily the responsibility of local government, but in 1996, based on a comprehensive study of statewide school facility needs, the state legislature approved a referendum for the issue of $1.8 billion in general obligation bonds for the construction of school facilities. The level of funding—$450 million per year—will not change unless there is another referendum. The state board of education administers and supervises funds disbursed under the act, and the funds can be used only for the purposes provided in the act. The state disburses funds to local school districts only after the state board of education has approved the authorization and the school planning section has issued a certificate of review on the final plans of the project.

Contact: Mr. Gerald Knott, School Planning Section, North Carolina Department of Public Instruction, 919/715-1977.

* A mill equals one-tenth of a cent.

North Dakota

The state legislature has authorized school districts to float general obligation bonds with 60-percent voter approval. Districts can levy up to 20 mills against their taxable valuation. Legislation (in 1999) granted the department of public instruction the authority to review and approve school construction projects. The state also has a school construction fund of about $40 million, which the state can use to provide low-interest loans for $2.5 million or one-third of voter-approved project costs. Interest rates on the loans vary from 1 percent to 5 percent, depending on district need. The state lends districts about $5 million a year through this program. However, statewide construction spending amounts to about $30 million a year. Statewide, about 45 percent of education costs are funded by local property taxes and about 45 percent are funded through state fund sources. The rest is covered by federal and other sources.

Contact: Mr. Tom Decker, School Finance and Organization, North Dakota Department of Public Instruction, 701/328-2283.

Ohio

Until a few years ago, local school districts provided virtually all funding for school construction and maintenance. Recently the state has begun to take a role in funding construction and maintenance, with a current appropriation of approximately $1 billion over the next two years. The School Facilities Commission oversees the design and funding of school facilities. The state ranks school districts on the basis of property wealth, with the highest-poverty district receiving 90 percent funding aid from the state's school facilities commission.

Governor Bob Taft recently proposed the Rebuild Ohio's Schools plan that would provide $10.2 billion in direct aid to local school districts over the next 12 years. The plan includes $65 million to start a permanent improvement trust fund. In addition, the Governor stated in his 2000 state-of-the-state address that he would like to use $4.5 billion of the tobacco settlement funds for school construction and renovation over the next 25 years.

Contact: Mr. George Tombaugh, Education Policy Advisor, Office of the Governor, 614/644-0953.

Oregon

This is the first year the state is providing facilities grants that schools can use to pay up to 8 percent of new school construction costs. The legislature set a cap of $17 million on the program. The purpose of the program is to pay for items that a bond could not, such as desks. Governor John A. Kitzhaber, M.D., proposed a state-backed bond fund for construction and maintenance in his 2000 state-of-the-state address.

Contact: Ms. Jean Thorne, Education and Workforce Policy Advisor, Office of Education and Workforce Policy, 503/378-3921 ext. 27.

Pennsylvania

School districts have full authority to float bonds. The state department of education reviews construction plans and, through a legislative formula, determines what percent of debt incurred for a given project the state will reimburse. The state reimburses districts over time as they pay their debt service—usually twice a year. The state pays districts an amount based on estimated project costs and reconciles the total paid to the final cost once the project is completed. The legislature provides the

funds through a dedicated, annual, line item appropriation in the state budget. The appropriation for fiscal 2000 is almost $254 million.

Contact: Ms. Anna Maria Anderson, School Finance, Pennsylvania Department of Education, 717/783-9000.

Rhode Island

The state provides no upfront funding, but does reimburse locally funded projects after they are completed. The percent reimbursed is based on a formula, called a percent equalizing formula, that is designed to reimburse poor communities at a higher level. The minimum reimbursement amount is 30 percent. The state allows bond interest as a legitimate project cost. To qualify, districts submit an application to the state board of regents. The state legislature appropriates funds from state general funds each year. The appropriation for fiscal 2000 is $25.5 million.

Contact: Ms. Celeste Bilotti, Specialist, State Aid, Office of Finance and Business Services, Rhode Island Department of Elementary and Secondary Education, 401/222-4600 ext. 2420.

South Carolina

In the 1998–1999 legislative session, Governor Jim Hodges and State Superintendent of Education Inez Tenenbaum promoted and the general assembly approved the State School Facilities Bond Act, which funds $750 million in school construction over the next three years. Funds are distributed annually to school districts based on a formula including annual daily attendance (35 percent), the school's ability to pay (35 percent), unmet construction needs (15 percent), and a school district's attempt to address building needs (15 percent).

Contact: Mr. Doug McTeer, Education Policy Advisor, Office of the Governor, 803/734-9898.

Tennessee

Capital outlay is built into the nonclassroom component of the basic education program funding formula. Local school districts may decide to use the funds for school construction. In 1999–2000, the capital outlay component generated $330 million, of which the state allocated $165 million. The majority of funds are generated by the state sales tax. The state legislature makes an annual appropriation based on the basic education program formula in state statute.

Contact: Mr. Jim Jones, Executive Director, Office of Local Finance and Auxiliary Services, Tennessee State Department of Education, 615/532-1650.

Texas

The state has three tax equalization programs to assist local districts with debt incurred for school construction costs. The instructional facility allotment (IFA) applies to newly acquired debt; the districts apply to the state for this type of assistance. The state ranks applicants by wealth and funds projects according to the ranking. A provision related to the IFA but only available to newly constructed schools, called the new instructional facility allotment, addresses operational costs for new schools. No more than $25 million in aid per year can be given to this program statewide. A third program, the existing debt allotment, provides assistance to pay old and existing debts. Again, assistance is based on district wealth and tax effort but no application is necessary. The state provides assistance to a maximum of $420 per child in average daily attendance. The state legislature appropriates funds for both programs each biennium. The most recent appropriation will provide $50 million in debt assistance for each year of the biennium. Each district must contribute some of its own

tax money. The state match is determined by a formula that considers local wealth and student enrollment.

Contacts: Ms. Liz Caskey or Mr. Enrique Aleman, Division of State Funding, Texas Education Agency, 512/463-9238.

Utah

The primary funding source for school construction is school district general obligation bonds, but some state assistance is available. Two years ago, the state legislature passed a school bond guarantee act, which puts the "full faith and credit of the state's AAA bond rating behind each district in addition to the district's own bond rating." Further, the state legislature appropriates funding for the capital outlay foundation program, the emergency school building needs program, and a revolving loan program. Annually, schools and districts in Utah spend about $350 million on building and renovation. The state contribution amounts to about 10 percent of total construction spending.

The capital outlay foundation program and the emergency school building needs program are jointly funded at approximately $30 million a year. The state distributes 80 percent of the $30 million appropriation to the poorest districts first and then to all remaining districts if there is enough money. The other 20 percent is used for the emergency needs program, which distributes funds based on a formula that considers need, ability, and effort. Under current state law, all of the approximately $30 million appropriation will go to the capital outlay foundation program after one more year. The loan program, $10 million in a perpetual fund, is used to provide loans to districts. The interest rates are set by a committee and based on a district's ability to repay. All districts are eligible, but lower-income districts receive lower rates.

Contact: Mr. Larry Newton, Property Tax and School Facilities Education Specialist, Utah State Office of Education, 801/538-7668 or 7660.

Vermont

Vermont allocated $17 million for fiscal 2000 to fund school construction needs. Schools must meet an "urgent need" criterion as established by the legislature and must receive state board of education approval to receive a 30-percent grant from the state. School construction and renovation demand has exceeded the funding allocated by the legislature. As a result, rather than funding schools on a first-come, first-served basis, Vermont now has a rating system to determine the areas of greatest need. However, before a proposal for facilities funding for a school goes to the legislature, it must have district voter approval to completely fund the project. If the legislature does not appropriate sufficient funds for all projects in a given year, a school may go ahead with the project, provided it receives approval from the state board of education, and will be included in the funding request for the following year. This year the legislature agreed to designate any surplus funds for school construction. The construction aid program received approximately $11 million dollars from the fiscal 1999 surplus, and the funding need for fiscal 2001 is expected to be nearly $17 million dollars.

Contact: Mr. Doug Chiappetta, School and Instructional Support Team, Vermont Department of Education, 802/828-2141.

Virginia

Virginia has four programs dealing with school construction funding. First, the legislature has provided general funds of $55 million for statewide additions and renovations. All schools are eligible and receive a certain percentage of state funds appropriated for this program based on their average daily attendance (ADA). Second, over the last couple of years, the state lottery has provided $122 million for

schools. A school can spend up to 50 percent of the lottery revenues it receives on operations and no less than 50 percent on construction. Schools receive their percentages of lottery money based on their ADA. Third, the literacy fund is a special source of monies that schools must apply for. The money can be used for new buildings only, and the limit for any one district is $7.5 million. The program depends on appropriations from the legislature and approved by the Governor. Fourth, the Virginia Public School Authority also provides some funding for school construction. Additionally, Governor James S. Gilmore III proposed using part of the tobacco settlement money to establish a fund for education infrastructure needs in his 2000 state-of-the-state address.

Contacts: For the first three programs, Ms. Sue Eanes, 804/225-2025; for the fourth program, Mr. Rick Davis, 804/225-2142 Office of Finance and Budget, Virginia Department of Education.

Virgin Islands

Governor Charles W. Turnbull, in his 2000 state-of-the-territory address, proposed implementing a comprehensive school maintenance program. He also listed several school capital projects. For example, the territory is spending $42 million in construction projects to rebuild three schools in the Districts of St. Thomas and St. John.

Contact: Clarence Wells, Director, Washington, D.C., Office of the Governor of the U.S. Virgin Islands, 202/624-3560.

Washington

State law requires local districts to pass a bond issue to pay for construction costs to receive any state funds. To remodel or build a school, a district first determines the cost and the state contribution. The difference between the two becomes the local responsibility. The district then must pass a bond issue to cover the local share. Once voters have approved the bond, the state reviews the information in a grant process. The funds are provided to the district through a grant, not through the basic education program. On average, the state funds half of the allowable costs. However, the state does not pay out any money until all local dollars are spent. The state legislature appropriates funds for the program each biennium based on district-requested and state-approved projects for the coming two years. Funds come from three general sources: state timber revenues, which are a dedicated but volatile source; an education savings account comprised of 50 percent of all state agency reversions of unspent appropriations at the end of the fiscal year; and, when necessary, the state general fund, general obligation bonds, or other eligible fund sources.

Contact: Ms. Brenda Hood, School Facilities, Office of Superintendent of Public Instruction, 360/753-6702.

West Virginia

The School Building Authority (SBA) is the state agency authorized to issue state bonds or provide pay-as-you-go funding for capital school improvement projects in West Virginia. Each county school district must develop a 10-year comprehensive educational facilities plan (CEFP) and submit it to the state board of education and the school building authority for approval. This plan must be updated annually and rewritten every 10 years. A new CEFP must be completed and in effect by September 2000. Approval must also be granted by SBA before a district may receive funding for any project from the state and prior to using federal funds for capital school improvements. Maintenance projects are not capital improvements and may not be included in the CEFP unless they are part of the major improvement plan (MIP) and state funds will be requested to implement them. Required amendments to the plan or the plan budget must be submitted to the state board of education and SBA for approval

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prior to the initiation of any construction or renovation project. The key element to facilities funding is that projects are approved using needs-based selection criteria. This funding method is designed to ensure student equity rather than taxpayer equity; no local matching funds can be required by SBA for a project to be eligible for state funds. Since 1990, school facility funding has been approximately $1 billion or $310 per-pupil per year. The current funding level is $72 million annually.

Contact: Dr. Clacy E. Williams, School Building Authority of West Virginia, 304/558-2541.

Wisconsin

School construction costs are treated like other education costs in the state—debt service goes into the formula for shared costs. State aid is provided according to an equalization formula and the state funds two-thirds of shared costs. Education revenues come from two sources: local property taxes and the state general fund. On average, local property tax provides about one-third of education revenues, but the amount varies by district, depending on student enrollment and equalized property value. In one district, the state might provide 80 percent of funds; in another, the state might provide 20 percent.

Contact: Mr. Brad Adams, School Financial Services, Wisconsin Department of Public Instruction, 608/ 267-3752.

Wyoming

The capital construction grants program provides technical assistance and interpretation of state and federal laws, rules, and regulations concerning school buildings and capital construction grants. School districts must meet the criterion of having 90-percent bonded indebtedness capability before they may apply for a capital construction grant. Once a grant is approved, the state department of education funds the project at full cost less the amount of bonding capability a district has. The funds come from a capital construction account in which approximately $20 million is expected to remain at the end of the 1999–2000 biennium. The 2001–2002 appropriation is currently under discussion in the legislature. The tentative appropriation is approximately $31 million.

Contact: Mr. Bruce Hayes, Wyoming Department of Education, 307/777-6265.

Recommendations and Conclusions

Governors and other policymakers can take action on a couple of fronts:

1. **Assess the adequacy of school facilities to determine the need for new construction or renovation as student enrollment rises.** Additional resources cannot be fully utilized without knowledge of the existing conditions. For policymakers to assess their state's school facilities, they need to answer these questions.

   - Has the state experienced a substantial increase or decrease in student enrollment in recent years? Are changes in enrollment projected in the next five to ten years?
   - Is school building maintenance up-to-date? Has a maintenance schedule been adopted? How old are school buildings in the state?
   - Does the state have an accurate inventory of all school buildings? How can the state best determine school facilities needs?
   - Are the state's school facilities adequately equipped for the implementation of new technologies?[8]

2. **Determine who is responsible for funding school construction and what funding mechanism will meet the state's needs.** Historically, local communities have been responsible for all aspects of school construction, but recent lawsuits in Arizona, Colorado, New Mexico, Ohio, and Texas are challenging these traditions. Once responsibility is determined, states should consider the variety of options available to them. Several issues will determine funding responsibility.

   - What should be the state role in funding school construction? What should the local role be?
   - What are the possible funding options—subsidies, reimbursement, or matching funds for construction projects; establishment of a funding formula for all school districts; low-interest loans for less wealthy schools; or legislative and gubernatorial approval?[9]

While school construction policies and funding mechanisms vary greatly across the states, many states have increased their activity on the issue. School construction contract awards increased from $14 billion in 1995 to $18 billion in 1998, and the number of contract awards increased from 7,185 to 8,215 in the same time period. In addition, school construction bond passage rates have increased from 50 percent in 1991 to 67 percent in 1998.[10] According to the U.S. Department of Education, an estimated $19.5 billion was spent on school construction and modernization in 1999.

Although many states have increased funding for school construction and renovation, much work is still needed. Data from numerous sources, including the U.S. General Accounting Office, the U.S. Department of Education, state agencies, and trade associations show that student enrollment will continue to rise over the next several years. More schools are needed to accommodate the increased enrollment. At the same time, many schools are old and in need of extensive renovation. Though Governors and state policymakers have implemented effective strategies and programs, more is needed to meet this growing demand for building new school facilities and renovation existing classrooms.

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[1] John B. Lyons, "K–12 Construction Facts: Number 1" (May 1999), at <http://www.ed.gov/inits/construction/urgentneed.html>.

[2] Public Agenda as reported by *USA Weekend* December 17–19, 1999, page 11.

[3] National Education Association, *Modernizing Our Schools: What Will It Cost?* (May 1,2000), at < http://www.nea.org/lac/modern/modrpt.html>.

[4] U.S. Department of Education, *A Back to School Special Report on the Baby Boom Echo: America's Schools Are Overcrowded and Wearing Out*, (September 8, 1998), at <http://www.ed.gov/pubs/bbecho98/>.

[5] Ibid.

[6] General Accounting Office, *School Facilities: The Condition of America's School*, (February 1, 1995) at <http://frwebgate.access.gpo.gov/cgi-bin/useftp.cgi?IPaddress=162.140.64.88&filename=he95061.txt&directory=/diskb/wais/data/gao>

[7] U.S. Department of Education, *The Baby Boom Echo: No End in Sight*, (August 19, 1999) at <http://www.ed.gov/pubs/bbecho99/part8.html>.

[8] Education Commission of the States, "Finance: Making Better Decisions About Funding School Facilities", at <http://www.ecs.org/ecs/ecsweb.nsf/3826b96034ede7e7872565c50063d6cc/ac62c117f4b62fd6872565c50075ccc7?OpenDocument>.

[9] Ibid.

[10] U.S. Department of Education, *The Baby Boom Echo: No End in Sight* (August 19, 1999), at <http://www.ed.gov/pubs/bbecho99/part8.html>.